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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 000827

SIPDIS

DEPARTMENT FOR SA, SA/INS; NSC FOR E. MILLARD

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E.O. 12958: DECL: 05-19-14

TAGS: PREL PGOV BAID PINR CE ECONOMICS LTTE

SUBJECT: In May 18 meeting, Ambassador and

FM Kadirgamar discuss MCA, peace process

Refs: (A) Colombo 809

- (B) State 109791

- (C) State 108895

(U) Classified by Ambassador Jeffrey J. Lunstead.

Reasons 1.5 (b,d).

11. (C) SUMMARY: Ambassador clarified for Foreign Minister that selection as an MCA candidate country is no guarantee of funding, and that much hard work remained before an MCA compact could be signed. On peace process, Foreign Minister admitted that interim arrangements will be the only agenda item in upcoming talks, but hoped that final settlement issues could also be addressed soon. END SUMMARY.

12. (U) Ambassador met with Foreign Minister Lakshman Kadirgamar May 18 following Kadirgamar's return from his trip to Washington. Kadirgamar was very happy about the trip and the numerous meetings he was able to have while in the U.S. He mentioned that he was very pleased that Sri Lanka had been selected as a candidate country for the Millennium Challenge Account (MCA), and that he had discussed MCA with both Deputy USTR Josette Shiner and with Secretary Powell.

MCA NOT SET YET

13. (C) Ambassador said that he had wanted to discuss MCA with the Minister. He noted that we were aware that the Sri Lankan press often printed inaccurate stories, and pointed to a Washington-dated story from May 13 which was headlined "US 100 million dollar outright grant for development." The story implied that MCA funding for Sri Lanka was assured, and that Sri Lanka simply had to "come up with proposals." Ambassador said that Sri Lanka's selection as a candidate was indeed an honor, but was not a guarantee of funding, and that no level of funding for Sri Lanka had been set. In ensuing discussion, it became clear that Kadirgamar thought that conclusion of an MCA compact was essentially a boilerplate process. Ambassador told Kadirgamar that this was not so. He outlined a number of details about MCA and told Kadirgamar that a Millennium Challenge Corporation (MCC) team would be arriving in Colombo in early June to conduct initial discussions.

14. (C) Kadirgamar said that he understood. He also said that he was so excited about MCA that he had just sent a note on MCA for the following day's Cabinet meeting proposing that a Cabinet Sub-Committee be set up to deal with MCA. He added that he might chair that Subcommittee.

NEXT STEPS ON PEACE PROCESS

15. (C) Ambassador said that Assistant Secretary Rocca's visit, which had occurred while Kadirgamar was in Washington, had gone very well. He said that he wanted to clarify an issue, however. In Assistant Secretary Rocca's discuss with President Kumaratunga (Ref A), the President had stated unequivocally that the GSL had agreed that the only subject of initial discussion during resumed peace talks would be that of an interim arrangement for administration of the North and East. This was despite Kumaratunga's preference that the two sides discuss at the same time parameters of a final settlement. In Washington, however, the Foreign Minister had implied that the GSL was still trying to have final settlement issues included in the initial discussions (Refs B and C). Perhaps there had been a change while the Foreign Minister had been in Washington.

16. (C) Kadirgamar conceded, after some more discussion, that in fact the GSL had agreed that the initial topic of discussion would be limited to interim arrangements. He continued, however, that the GSL was still trying to come to some agreement with the LTTE on discussion on

final settlement issues. "It could be at some point while we are discussing interim arrangements, or it could be after the interim arrangement discussions are concluded," he said. (Norwegian Ambassador Brattskar told Ambassador May 19 that Norway was not involved in such discussions, although there could be other channels.)

COMMENT

17. (C) Kadirkamar has a habit of speaking his mind publicly, often without clearing his remarks with others in the government. In the case of his MCA comments, it appears that he may have genuinely misunderstood the situation. In addition to the discussion on May 18, Ambassador sent him a letter and packet of information on MCA the following day. Kadirkamar certainly recognizes the significance of MCA, even if he has been fuzzy on the details. We suspect, however, that Finance Minister Amunugama will want to be in charge of any process related to MCA. With regard to the peace process, we suspect that Kadirkamar while in Washington was relaying -- and perhaps trying to find support for -- his own strongly felt position that negotiations should deal immediately with final settlement issues. From all indications, he has lost that battle within the GSL, however. END COMMENT.

18. (U) Minimize considered.

LUNSTEAD